

- Assistance in developing and implementing accounting systems;
- Development of rates;
- Calculation of costs.
- Revenue assurance;

#### Previous Testimony

Federal Communications Commission. 2003. In the Matter of: Martha Wright, Dorothy Wade, et al. Petition for rulemaking concerning competition in prison calling.

Oregon Public Service Commission. 2003. AAA Case No. 78 181 00113 03 JISI. Arbitration concerning Intercarrier Compensation.

Illinois Commerce Commission. 2003. Docket No. 02-147. Complaint against Verizon concerning Interconnection Issues and Sharing of Facilities.

West Virginia Public Service Commission. 2002. Case No 02-0809-T-P. Verizon 271 Proceeding.

West Virginia Public Service Commission. 2002. Case No 02-0254-T-C. Complaint against Verizon concerning the Use of Numbers and the Sharing of Facilities.

Maryland Public Service Commission. 2002. Case No 8910. Complaint against Verizon concerning the Availability of Dark Fiber.

Maryland Public Service Commission. 2002. Case No 8921. Verizon 271 Proceeding.

Federal Communications Commission. 2002. Docket CC-01-338. Facts and Data supporting CLEC Competition.

Maryland District Court. 2002. Sealed. Case of ISP vs. Verizon.

Maryland Public Service Commission. 2001. Case No 8881. Complaint against Verizon concerning the Sharing of Facilities.

Washington Public Service Commission. 2001. Docket Number UT-000883. Investigation into Rate Zones and Loop Pricing.

New York Public Service Commission. 2001. Investigation into Unbundled Loop Pricing.

New York, Court of Claims. 2001. Case No. 103138. Competition in Prison Calling.

New York Public Service Commission. 2000. Case No. 99-C-1337. Dispute concerning Unbundled Network Pricing between ALLTEL and Fairpoint Communications, Inc.

Prior to these proceedings, I also testified approximately 50 times in the mid-1980's at the State Commissions in California, Nevada, Oregon, Washington, Texas, New Mexico, Arizona and Utah. These filings were all done on behalf of my employer, CP National, a regulated telephone company. Filings included such topics as the establishment of access charge rates, the setting of local rates, the deregulation of CPE, payphone issues, inside wiring and other issues.

### **Affidavit of Douglas Dawson**

1. My name is Douglas Dawson. I am the Principle of CCG Consulting, Inc., which was hired by the Staff of the Maryland Public Service Commission. My business address is 6811 Kenilworth Avenue, Suite 300, Riverdale, Maryland, 20737.

2. I was a witness in Case 8983 before the Maryland Public Service Commission captioned *In the Matter of the Implementation of the Federal Communications Commission's Triennial Review Order*.

3. On March 12, 2004, I filed Direct Testimony in Case 8983 on behalf of the Staff of the Maryland Public Service Commission.

4. On March 16, 2004, the Maryland Public Service Commission stayed Case 8983.

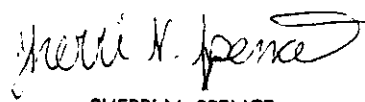
5. I affirm that the Testimony was drafted by me or under my supervision and is true and accurate.

6. Portions of the attached Summary of the Maryland Public Service Commission Staff's Impairment Analysis were prepared by me and I reviewed the entire document. I affirm that the Summary accurately summarizes the testimony I prepared for Case 8983.

I hereby declare under penalty of perjury that the foregoing Affidavit is true and correct to the best of my knowledge.

  
Douglas Dawson - Principle

Date: September 30, 2004

  
SHERRI N. SPENCE  
NOTARY PUBLIC STATE OF MARYLAND  
My Commission Expires August 14, 2007

**PUBLIC SERVICE COMMISSION  
OF MARYLAND**

**IN THE MATTER OF THE APPROVAL OF A BATCH CUT \*  
MIGRATION PROCESS FOR VERIZON MARYLAND INC. \*  
PURSUANT TO THE FEDERAL COMMUNICATION \* CASE NO. 8988  
COMMISSION'S TRIENNIAL REVIEW ORDER \***

**DIRECT TESTIMONY**

**OF**

**Carlos Candelario**

**ON BEHALF OF THE STAFF  
OF THE  
PUBLIC SERVICE COMMISSION OF MARYLAND**

**February 11, 2004**

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1    **INTRODUCTION AND PURPOSE OF TESTIMONY**

2

3    **Q.    PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

4

5    A.    My name is Carlos Candelario. I am the Assistant Director of the  
6           Telecommunications Division of the Public Service Commission of  
7           Maryland. My business address is 6 St. Paul Street, Baltimore, MD,  
8           21202.

9

10   **Q.    WOULD YOU STATE YOUR BACKGROUND AND EXPERIENCE?**

11

12   A.    My educational background and experience in the telecommunications  
13           industry and its regulation are included in Exhibit A which accompanies  
14           this testimony.

15

16   **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17

18   A.    The purpose of my testimony is to begin the process by which Staff can  
19           respond to the directives of the Federal Communications Commission  
20           ("FCC") with respect to a batch hot cut process. The first directive  
21           concerning batch hot cuts from the FCC is that, "...state commissions  
22           must, within nine months from the effective date of this Order, **approve**

1       **and implement** (emphasis added) a batch cut process that will render the  
2       hot cut process more efficient and reduce per-line hot cut costs"<sup>1</sup>. In  
3       addition, the Triennial Review Order ("TRO") declares, "State  
4       commissions must approve...a batch cut migration process to be  
5       implemented by incumbent LECs that will address the costs and  
6       timeliness of the hot cut process"<sup>2</sup>. The TRO further proclaims, "...states  
7       should decide the appropriate volume of loops that should be included in  
8       the batch"<sup>3</sup>. Staff therefore believes that the purpose of the instant case is  
9       for the Commission to 1) approve a batch hot cut process, 2) select the  
10      volume of hot cuts that comprise a "batch", and 3) address the costs and  
11      timeliness of the hot cut process where the above mentioned costs are to  
12      reflect TELRIC rates<sup>4</sup>.

13  
14      **SUMMARY OF STAFF POSITION**

15  
16      **Q.     WOULD YOU SUMMARIZE STAFF'S POSITION?**

17  
18      **A.     VMD and Cavalier Telephone Mid-Atlantic, Inc. ("Cavalier") are the only**  
19      parties to file direct testimony for a batch hot cut process in the instant  
20      proceeding. Staff will discuss the VMD proposal and may suggest some

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<sup>1</sup> In The Matter of Review of the Section 271 Unbundling Obligations of Incumbent Local Exchange Carriers, Report and Order and Order on Remand and further Notice of Proposed Rulemaking ("TRO") CC docket No. 01-338 (rel. Aug. 21, 2003) at ¶ 460.

<sup>2</sup> Id., at ¶ 488.

<sup>3</sup> Id., at ¶ 489.

1 modifications in order to ensure consistency, accuracy, reliability and  
2 reasonableness of the batch hot cut process. As directed by the TRO,  
3 Staff is currently involved in technical workshops with the parties in the  
4 instant case in order to discuss the batch hot cut process. The first  
5 meeting between the parties occurred on Friday, January 23, 2004 and  
6 was attended by representatives from Verizon Maryland Inc. ("VMD"),  
7 AT&T, MCI, OPC and Cavalier Telephone. Covad participated by  
8 teleconference. The next scheduled meeting is on Wednesday, February  
9 18, 2004. The parties participating in the workshop intend to set the  
10 parameters that define a reasonable number that will comprise the  
11 magnitude of a batch. Finally, Staff is proposing a methodology to  
12 calculate the cost of a batch hot cut on a per line basis.

13  
14 **DEFINITION AND BACKGROUND**

15  
16 **Q. WHAT IS A HOT CUT?**

17  
18 **A.** A hot cut involves the physical removal of the customer's loop from the  
19 switch of one local exchange carrier ("LEC") to the switch of another  
20 LEC.<sup>5</sup> The result of this action is to change the provider of dial tone to the  
21 customer. Considering the case where the customer is migrating from the

---

<sup>4</sup> *Id.* at ¶ 489.



1 incumbent LEC ("ILEC") to a competitive LEC ("CLEC"), the CLEC switch  
2 would now be providing the customer with dial tone, switching, and feature  
3 functionality, whereas previously it was the ILEC that provided the dial  
4 tone, switching, and feature functionality. As a result, the CLEC rather  
5 than the ILEC would now provide for the completion of the customer's  
6 outgoing calls. Between the beginning and the end of the hot cut  
7 procedure, the customer would not be able to make or receive calls.

8  
9 **Q. HOW LONG WOULD THE CUSTOMER BE WITHOUT OUTGOING**  
10 **SERVICE?**

11  
12 **A.** The service interruption for outgoing calls is minimal if the ILEC pre-wires  
13 all necessary connections; i.e. prepares jumper cables from the applicable  
14 portion of the main distribution frame ("MDF") to the CLEC installation  
15 which will then connect to the customer's loop. During the technical  
16 workshop held at the Commission, the parties appeared to agree that the  
17 out-of-service period for a basic hot cut provided by VMD was insignificant  
18 when properly managed.

19  

---

<sup>5</sup> The actual transfer is performed at the main distribution frame located in the Verizon central office, where there is a connection to the CLEC's switch.

1    **Q.    WHY IS THE OUT-OF-SERVICE PERIOD FOR OUTGOING CALLS**  
2           **CRITICAL?**

3  
4    **A.**The out-of-service period for originating calls is critical because it prevents  
5           the customer from being able to complete emergency calls such as to  
6           911.

7  
8    **Q.    HOW LONG WOULD THE CUSTOMER BE WITHOUT SERVICE FOR**  
9           **INCOMING CALLS?**

10  
11   **A.**The situation for incoming calls is somewhat more complex. A terminating  
12           call must be able to identify the switch to which the customer's loop is  
13           connected. In order to accomplish this, the customer's telephone number  
14           must be ported; i.e. the customer's telephone number in the Local  
15           Number Portability ("LNP") database must be removed from the ILEC  
16           switch database and added to the CLEC switch database. Porting  
17           involves coordination between the ILEC, the CLEC, and the Number  
18           Portability Administration Center ("NPAC"). The NPAC identifies the  
19           switch on which a subscriber's number resides<sup>6</sup>. The call can then be  
20           routed to the appropriate switch. The carriers appear to agree that the  
21           time interval for the entire hot cut process varies from five to fifteen

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<sup>6</sup> [www.npac.com/LNP\\_Overview.htm](http://www.npac.com/LNP_Overview.htm)

1 minutes with the majority of the time related to completing the porting  
2 process.

3

4 **Q. IS THE HOT CUT PROCESS PREDOMINANTLY A MANUAL AFFAIR?**

5

6 **A.** Yes. The actual movement of the customer's line from one LEC switch to  
7 another currently requires human intervention as does much of the  
8 preliminary work needed to coordinate the process.

9

10 **Q. WHAT IS THE SIGNIFICANCE OF THE HOT CUT PROCESS TO THE**  
11 **TRO?**

12

13 **A.** The availability of a viable batch hot cut process becomes critical for those  
14 geographic markets where a finding of no impairment is determined for  
15 local circuit switching serving mass market customers. Currently, a  
16 number of ways exist for a CLEC to enter markets and compete with an  
17 ILEC. In addition to reselling an ILEC's service, a CLEC may decide to  
18 compete with an ILEC by obtaining an unbundled network element-  
19 platform ("UNE-P") from the ILEC in order to provide end user service to a  
20 customer. Unbundled network elements ("UNEs") are physical  
21 components of the ILEC telecommunications network that can be leased  
22 by the CLEC from the ILEC. When these components are used to provide

1 an end-to-end circuit or a complete service, the combined UNEs are said  
2 to comprise a UNE platform or "UNE-P". UNE-P arrangements involve the  
3 lease of both the switching and the loop from the ILEC<sup>7</sup>. If the CLEC  
4 provides its own switching but leases the loop from the ILEC it is known  
5 as a UNE loop or UNE-L arrangement. Under the TRO, if the Commission  
6 makes a finding of no impairment for circuit switching that serves mass  
7 market customers in a specific geographic market, the ILEC will no longer  
8 be required to make the UNE-P option available to CLECs in that market  
9 but will still be required to make UNE-L available at TELRIC rates. While  
10 some CLECs may choose to serve their current UNE-P customers by  
11 reselling ILEC services, others may choose to provide their own switches  
12 and lease the loop from the ILEC (i.e. migrate customers from UNE-P to  
13 UNE-L). The batch hot cut process to be approved by this Commission  
14 must be capable of managing the migration of UNE-P customers to UNE-  
15 L efficiently and within a reasonable timeframe.

16  
17 **STAFF PROPOSAL**

18  
19 **Q. WHAT IS THE STAFF RECOMMENDATION CONCERNING A BATCH**  
20 **HOT CUT PROCESS?**  
21

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<sup>7</sup> This is not an exhaustive list of the UNEs included in a UNE-P arrangement needed to provide complete service.

1   **A.**     Staff will await the conclusion of the schedule of technical workshops with  
2           the parties before arriving at a final proposal.

3  
4   **Q.**     **WHAT IS THE STAFF RECOMMENDATION CONCERNING THE**  
5           **NUMBER OF INDIVIDUAL HOT CUTS TO BE INCLUDED IN A BATCH?**

6  
7   **A.**     The second batch hot cut process workshop is scheduled for February 18,  
8           2004 and a third will be held on March 3<sup>rd</sup>, if necessary. The expectation  
9           is that the parties involved will arrive at a consensus with regard to the  
10          number of hot cuts to be included in a batch hot cut. If not, Staff will await  
11          more information, arrive at its own conclusion, and submit its own  
12          recommendation that takes into consideration the results of the workshop  
13          process as well as the findings of the mass market circuit switching  
14          impairment analysis.

15  
16   **Q.**     **WILL STAFF RECOMMEND A TIME INTERVAL FOR THE BATCH HOT**  
17           **CUT PROCESS?**

18  
19   **A.**     Again, Staff expects that a time interval acceptable to the parties will be  
20           determined by the workshop. If not, Staff will make its own  
21           recommendation.

1   **Q.    WHAT IS THE STAFF RECOMMENDATION CONCERNING A PER LINE**  
2       **COST INVOLVING THE BATCH HOT CUT PROCESS?**

3  
4   **A.**   In order to ensure compliance with TELRIC principles as previously  
5       determined by the Commission, Staff is suggesting that the Hearing  
6       Examiner adopt the TELRIC rate for an individual hot cut from Case No.  
7       8879<sup>8</sup>, as the foundation and ceiling for an analysis of a per line batch hot  
8       cut cost. Currently, an interim rate of \$35 is in place in Maryland as a  
9       result of the Petitions for Reconsideration/Rehearing filed by VMD, AT&T  
10      and WorldCom.<sup>9</sup> In Case No. 8879, the Commission decided that non-  
11     recurring charges issued in Order No. 78552 should be stayed with the  
12     exception of 2-wire hot cut non-recurring rates. The Commission then set  
13     the interim rate subject to a true up<sup>10</sup>. Once the permanent TELRIC rate is  
14     determined by the Commission, Staff will adjust the TELRIC basic hot cut  
15     rate to reflect the efficiency improvements of the mechanized batch hot  
16     cut process to arrive at the per line TELRIC cost of a batch hot cut. Both  
17     the FCC and VMD conclude that efficiencies should be realized as a  
18     result of a batch hot cut process and that these efficiencies should result  
19     in a lower per line cost when compared to basic hot cuts<sup>11</sup>.

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<sup>8</sup> *In the Matter of the Investigation into Rates for Unbundled Network Elements Pursuant to the Telecommunications Act of 1996*, 94 PSC Md. \_\_\_\_ (2003). ("Order No. 78552") issued June 30, 2003.

<sup>9</sup> *In the Matter of the Investigation into Rates for Unbundled Network Elements Pursuant to the Telecommunications Act of 1996* ("Order No. 78852") issued December 19, 2003 at 5.

<sup>10</sup> *Id.* at 7.

<sup>11</sup> TRO at ¶ 474 and VMD Panel Testimony at 32-33.

1  
2 **Q. WHY NOT ACCEPT THE VMD PROPOSED RATES IN THE INSTANT**  
3 **PROCEEDING GIVEN THE VMD NON-RECURRING RATES MODEL**  
4 **WAS USED IN CASE NO. 8879?**

5  
6 **A.** Staff is not certain that the model used in the initial testimony in the  
7 instant case is precisely the same as the model used by VMD in Case No.  
8 8879 to determine non-recurring costs. In Case No. 8879, the  
9 Commission did in fact decide to use the VMD model to calculate both  
10 recurring and non-recurring costs but changed significant inputs that had  
11 an impact on the rates yielded by the model<sup>12</sup>. In Order No. 78552 the  
12 Commission decided that the hot cut rates proposed by VMD should be  
13 modified<sup>13</sup>. This decision was based on a number of concerns about the  
14 VMD methodology employed, including not only the value of many of the  
15 inputs used by VMD but also factors such as the use of survey  
16 questionnaires to estimate work times which the Commission found  
17 unacceptable.

18  
19 **STAFF CONCLUSIONS**

20  
21 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

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<sup>12</sup> Order No. 78552 at 17-18.

<sup>13</sup> Order No. 78552 at 97.

1   **A.**    The outcome of Case No. 8983 will determine when a batch hot cut  
2           process will indeed be needed in Maryland. In the interim, Staff will  
3           continue to participate in the batch hot cut workshops with the expectation  
4           that an acceptable process will be defined. If not, a final proposal by Staff  
5           will be submitted which will address the parameters of a consistent,  
6           reliable and reasonable process.

7  
8   **Q.**    **DOES THAT CONCLUDE YOUR TESTIMONY?**

9  
10 **A.**    A. Yes it does.



**ATTACHMENT A**  
**BACKGROUND AND EXPERIENCE**

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE  
IN REGULATED INDUSTRY?**

- A. My education consists of a Bachelor of Science degree in Mathematics from Brooklyn College, a Master of Arts degree in Economics from Brooklyn College and a Ph.D. degree in Economics from the Graduate and University Center of the City University of New York. I have worked at two regulated companies in the telecommunications industry – AT&T and the Southern New England Telephone Company (“SNET”).

At AT&T I held various positions involving rate evaluation and the forecasting of Interstate and Intrastate telecommunications services. I was the expert witness on Long Distance forecasting in the Southern Pacific II Damage Study and provided a deposition in that case.

At SNET I was the Director of Market Analysis and Forecasting. My responsibilities included being the Company expert witness on the impact of rate changes on revenue and cost and in the area of product forecasting. I have testified before the Connecticut Department of Public

Utility Control ("DPUC") on telecommunications issues involving econometrics, macroeconomics, statistics and forecasting.

I have also testified before the Maryland Public Service Commission In The Matter of the Provision of Universal Service to Telecommunications Consumers, Case Number 8745, In The Matter of the Investigation Into Rates For Unbundled Network Elements Pursuant to the Telecommunications Act of 1996, Case Number 8879 and In The Matter of the Review of Verizon Maryland Inc.'s Price Cap Regulatory Plan, Case Number 8918.

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

<b>IN THE MATTER OF</b>	)	
<i>Unbundled Access to Network Elements</i>	)	<b>WC Docket No. 04-313</b>
	)	
<i>Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers</i>	)	<b>CC Docket No. 01-338</b>

**AFFIDAVIT OF CARLOS CANDELARIO**

I, Carlos Candelario, hereby make oath that the following facts, as set forth in this affidavit, are true to the best of my knowledge, information and belief.

1. I am over eighteen years of age, and am competent to testify and have personal knowledge of the facts as set out in this Affidavit.

2. I am an Assistant Director of Telecommunications of the Staff of the Maryland Public Service Commission. My business address is 6 St. Paul Street, Baltimore, Maryland 21202.

3. I was a witness in Case 8988 before the Maryland Public Service Commission ("MDPSC") captioned *In the Matter of the Approval of a Batch Cut Migration Process for Verizon Maryland Inc. Pursuant to the Federal Communications Commission's Triennial Review Order*.

4. On February 11, 2004, I filed Direct Testimony in Case 8988 on behalf of the MDPSC Technical Staff. I also prepared Rebuttal Testimony that was scheduled to be filed in Case 8988 on March 17, 2004.

5. On March 16, 2004, the Maryland Public Service Commission stayed Case 8988. As a result, my Rebuttal Testimony was not filed with the Maryland Public Service Commission.

6. I affirm that the above-referenced testimonies were drafted by me or under my supervision and are true and accurate.

7. I prepared portions of the Summary of the Maryland Public Service Commission Staff's Impairment Analysis filed in the above-captioned matter and reviewed the entire document. I affirm that the Summary accurately summarizes the testimony I prepared for Case 8988.

I hereby declare under penalty of perjury that the foregoing Affidavit signed this 29 day of September, 2004, is true and correct to the best of my knowledge.



Carlos Candelario  
Assistant Director  
Telecommunications Division  
Public Service Commission of Maryland  
6 St. Paul Street, 16<sup>th</sup> Floor  
Baltimore, Maryland 21202

STATE OF MARYLAND     )  
                                      )     TO WIT:  
CITY OF BALTIMORE     )

I HEREBY CERTIFY that on this 27 day of September, 2004, before me, a Notary Public for said State and City, personally appeared the affiant and made oath in due form of law that the matters and facts hereinabove set forth are true to the best of her knowledge, information and belief.

  
NOTARY PUBLIC

My Commission Expires: 3/11/07